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DEPARTMENT OF THE INTERIOR AND RELATED  
AGENCIES APPROPRIATIONS FOR 1996

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE  
COMMITTEE ON APPROPRIATIONS  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED FOURTH CONGRESS  
FIRST SESSION

SUBCOMMITTEE ON THE DEPARTMENT OF THE INTERIOR AND  
RELATED AGENCIES

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DEBORAH WEATHERLY, LORETTA BEAUMONT, MARK MIODUSKI, and JOEL KAPLAN,  
Staff Assistants

PART 11

	Page
Secretary of Interior	1
Office of Inspector General	171
Office of the Secretary	193
Office of the Solicitor	231
Office of Surface Mining	257
Bureau of Mining	325
Minerals Management Service	457
United States Geological Survey	541
Office of Territorial and International Affairs	793
Outside Witnesses Regarding TIA	828
Bureau of Indian Affairs	871
General Accounting Office on Indian Trust Accounts	985
Indian Health Service, Department of Health and Human Services	999
Indian Education, Department of Education	1045
Office of Navajo and Hopi Relocation	1079
Institute of American Indian and Alaska Native Art	1105

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WEDNESDAY, MARCH 8, 1995.

## BUREAU OF INDIAN AFFAIRS

### WITNESSES

ADA DEER, ASSISTANT SECRETARY, INDIAN AFFAIRS  
MICHAEL ANDERSON, ACTING DEPUTY ASSISTANT SECRETARY, INDIAN AFFAIRS  
OSCAR W. MUELLER, JR., DIRECTOR, OFFICE OF CONSTRUCTION MANAGEMENT  
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JOHN TIPPECONNIC, DIRECTOR, OFFICE OF INDIAN EDUCATION PROGRAMS  
DONNA ERWIN, ACTING DIRECTOR, OFFICE OF TRUST FUNDS MANAGEMENT  
JOANN SEBASTIAN-MORRIS, ACTING DIRECTOR, OFFICE OF TRIBAL SERVICES  
GARY CECCUCCI, CHIEF, DIVISION OF PROGRAM DEVELOPMENT AND IMPLEMENTATION

### OPENING REMARKS OF ADA DEER

Mr. REGULA [presiding]. Ada Deer, the Assistant Secretary, who I assume is going to do the honors this morning. Am I correct?

Ms. DEER. Hello, Mr. Chairman.

Mr. REGULA. Nice to meet you.

Ms. DEER. Nice to meet you.

Mr. REGULA. Well, we're pleased to welcome you, Madam Secretary, and your full statement will be made a part of the record, without objection. You may summarize as you choose, and then we'll have some questions.

Ms. DEER. Okay. Good morning, Mr. Chairman. I am pleased to be here to present the President's Fiscal Year 1996 budget request for the Bureau of Indian Affairs. I ask that my formal statement be entered into the record, and I appreciate that very much.

Mr. REGULA. Without objection.

Ms. DEER. I will briefly highlight aspects of the budget.

Overall, the BIA request totals \$2.4 billion, which includes \$1.9 billion for current appropriations and \$448 million for permanent appropriations and trust funds. I have some charts that will help put the budget request in perspective, and they're up there. They're also in the information that you should have.

### OVERVIEW FY 1996 BUDGET REQUEST

The first chart compares the BIA's budget request over the past five years. For Fiscal Year 1996, President Clinton and Secretary Babbitt are asking the Congress to provide \$1.9 billion in current appropriations, the largest amount ever requested for BIA programs. In April 1994, the President met with the leaders of over

Mr. REGULA. This is a total system now? When you say, "a new system," are you talking about MMS and BLM and BIA or is this just BIA?

Ms. DEER. No, this relates only to the Bureau of Indian Affairs' recordkeeping. Let me say that in terms of the other three agencies, we have established procedures to comply with the requirements of the recent American Indian Trust Funds Reform Act. We've interviewed a candidate for the Special Trustee position. Our recommendation has been sent to the White House. We anticipate that this nomination will be forwarded to the Senate for confirmation. When the Special Trustee is in place, the coordination and continuity that is specified in the Trust Funds Reform Act will begin. We have the three Bureaus within the Department of the Interior that process payments to tribes. Some have had different systems. We anticipate that having a Special Trustee there, will result in substantial improvement in the trust funds management operations.

Mr. REGULA. I'm advised that the Minerals Management Service (MMS) is working satisfactorily; is that an accurate statement and, if so, why not pattern some changes after what has seemingly worked? Of course, part of this is because we've put money in to accomplish this objective.

Ms. DEER. The three agencies work together and are in close consultation, but they have been, as I understand it, under some different kinds of systems. Perhaps Donna Erwin would know a little more about that.

Ms. ERWIN. I think we're dealing with different types of receipts. MMS processes the oil and gas payments.

Mr. REGULA. Okay.

Ms. ERWIN. So MMS takes care of the oil and gas side. We are talking about a single system and there have been failures in trying to move to a banking system. We're trying to strategically plan this, so we started with the bulk of the trust fund money, the tribal portion, which totals approximately \$1.8 billion. The first thing we addressed—

#### TOTAL ASSETS HELD IN TRUST

Mr. REGULA. You're talking about the total from all three agencies?

Ms. ERWIN. The total of the asset base.

Mr. REGULA. Annual?

Ms. ERWIN. Static. That is the assets that are held.

Mr. REGULA. Not the revenues?

Ms. ERWIN. Not the revenues.

Mr. REGULA. Oh, okay.

Ms. ERWIN. Okay. We started with the largest system, the investment general ledger system. We have a group working together to deal with the IIM systems, so that this becomes a comprehensive system and it will all flow together.

Mr. REGULA. I'm not sure I fully understand.

Ms. ERWIN. Okay.

Mr. REGULA. You say \$1.8 billion. Are you talking about in the form of securities, cash, et cetera, and not land?

Ms. ERWIN. No, not the acreage. This is the static—we have approximately \$2.3 billion in assets that we hold. Individual Indian Money (IIM) asset are a part of the total in a separate pool. The bulk of the assets are held by individual tribes, which is the asset base they have, not the revenue.

#### TRUST FUND INVESTMENT DECISIONS

Mr. REGULA. Do the tribes determine where that money will be invested or does BIA and/or MMS and/or BLM determine where it will be invested?

Ms. ERWIN. BIA makes that determination.

Mr. REGULA. For all of them?

Ms. ERWIN. For all the money that is in within the system. Some money is flowthrough. Some new money will come in. We will account for it, determine who the individuals are, and then it is passed on to the individual Indians.

Mr. REGULA. But, apparently, in many instances the revenues do not actually go to the tribe to be used for current expenditures, but rather they go into a trust fund for that particular tribe, like a savings account.

Ms. ERWIN. They provide their budgets, their use and distribution plans, for which they withdraw the funds to use.

Mr. REGULA. And approval of those withdrawals has to be done by BIA; am I correct?

Ms. ERWIN. Yes, that's true.

Mr. REGULA. Someone mentioned earlier that there could be losses in banks or savings and loans. Is that in fact what happened?

Ms. ERWIN. These losses occurred before the Office of Trust Funds Management was established. Funds were overinvested in several credit unions. The insuring body on savings and loan did not recognize that each individual should be insured for \$100,000. The Federal Deposit Insurance Corporation (FDIC) did and the Federal Savings and Loan Insurance Corporation (SLIC) did, but the credit unions did not. As a result, the investment principal, in failed institutions, those were not paid back immediately. So when the new Trust Fund Reform Act became law last October, we had this bulk of interest due eight to ten years before the principal was repaid by the Government through appropriations to the individual Indians. So they lost the earning power on that principal during that time, and so the interest due was compounding. If the money had been repaid immediately, we would not have this loss now.

Mr. REGULA. It ultimately will be paid by the United States Government. So there will be no loss to the tribes; is that correct?

Ms. ERWIN. Yes, the \$12.7 million money we're asking for in FY 1996 is for the individual Indians.

Mr. REGULA. As I understand it, you're negotiating with Treasury to establish a fund similar to what Government employees have. What's the status of that negotiation?

Ms. DEER. This is an ongoing discussion between the Department and the Treasury. We're positive and we're looking forward to reaching conclusion in the discussions.

Mr. REGULA. Several of my colleagues have arrived. So I want to give them an opportunity. Joe?